



# Mere Exposure Effect and Its Application in Business

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## Abstract

The mere-exposure effect is a psychological phenomenon that people more tend to choose or hold a preference for the things, which they are familiar with. This report devotes to investigate this psychology bias by two designed survey questions.

## Question Design and Methodology

*Question 1: Zurich and Basel, which city has more inhabitants.*

*Question 2: London and Kinshasa, which city has more inhabitants.*

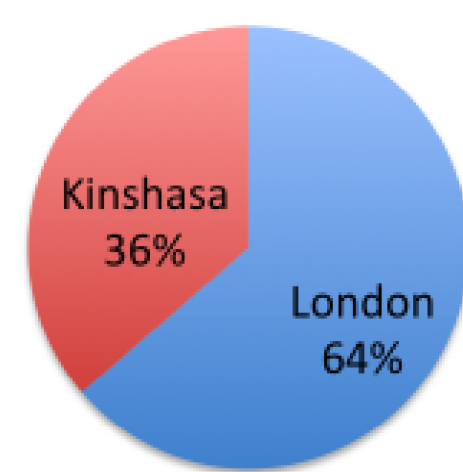
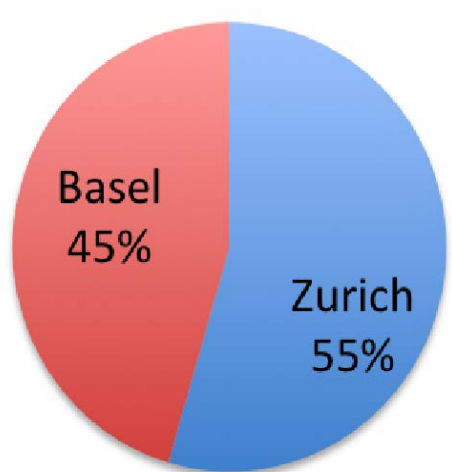
Correct Answer:

1. Zurich: 391,359  
Basel: 168,620
2. London: 8,630,100  
Kinshasa: 10,125,00

## Results Evaluation and Discussion

Q1: Zurich and Basel, which city has more inhabitants

Q 2: London and Kinshasa, which city has more inhabitants



Question 1: 6 people picked Zurich, 5 people picked Basel.

Question 2: 7 people picked *London*, 4 people picked *Kinshasa*.

The proportions ratio test for  $6/11 = 0.55$  vs.  $7/11 = 0.64$  had a p-value of 0.5, which is more than the hypothesis percentage 0.05. The results in this pilot study are not statistically distinguishable due to their small sample size, but both the answers and the direction of the changes are suggestive.

The result shows people tend to predict the population is higher for cities that sound more familiar to them.

## Example in business

In social psychology, this effect is sometimes called the familiarity principle that no matter it's a name, face or place, our brain trusts the familiar one. Mere Exposure Effect explains why people spend most of their money on brand-name products. Or in the stock market, an outsider, who knows nothing about stock, are very likely to pick a stock name that's easy to pronounce and looks familiar. But trusting the familiar can get investor in trouble.

## How to avoid

Fully understand those most often see behavioral bias can be helpful to avoid the mistake during decisions-making process. In stock market, now we use computers programmed to do the trading to avoid the mistake that caused by human traders' emotional and psychological factors.